

## Message Text

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PAGE 01 SEOUL 03503 270724Z  
ACTION EA-12

INFO OCT-01 ISO-00 EB-08 /021 W  
-----066533 271501Z /47  
R 270718Z APR 78  
FM AMEMBASSY SEOUL  
TO SECSTATE WASHDC 732  
INFO USDOC WASHDC

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E.O. 11652: N/A  
TAGS: BENC, BEXP, KS  
SUBJECT: MAJOR PROJECT: HYUNDAI CAPROLACTAM PLANT

REF: STATE 68535

1. ARTHUR G. MC KEE GROUP INFORMED EMBASSY THAT CONTRACT WAS SIGNED APRIL 25 WITH HYUNDAI INTERNATIONAL INC. (HII) FOR BASIC DESIGN ENGINEERING OF WHAT WILL BE THE LARGEST CAPROLACTAM PLANT EVER BUILT. IN ORDER TO OVERCOME SEVERE JAPANESE PRICE COMPETITION, MC KEE AND HII AGREED TO DISAGGREGATE THE SCOPE OF WORK AND DEAL ONLY WITH DESIGN AT FIRST. CONTRACT IS FOR \$7.7 MILLION; HOWEVER, AS PROJECT MOVES FORWARD AND HII MANAGEMENT BEGINS TO APPRECIATE ITS MAGNITUDE AND COMPLEXITY, MC KEE EXPECTS FURTHER CONTRACTS TO BE CONCLUDED FOR ADDITIONAL SEGMENTS OF THE SCOPE OF WORK. MC KEE ATTORNEY ESTIMATED THAT PLANT WILL INVOLVE PURCHASES OF \$70 TO \$100 MILLION FROM THE U.S. OVER THE COURSE OF THE PROJECT.

2. THE REAL SIGNIFICANCE OF THE CONTRACT TO MC KEE IS THAT OPPORTUNITY FOR COLLABORATION WITH HYUNDAI ON FURTHER THIRD COUNTRY PROJECTS RESTORES ITS INTERNATIONAL COMPETITIVENESS IN CAPROLACTAM PLANT FIELD AGAINST JAPANESE FIRMS. MOREOVER, ENTRY INTO KOREAN PICTURE, AFTER ITS FAILURE IN 1974 TO GET THE HANKUK CAPROLACTAM PLANT, IS PARTICULARLY IMPORTANT BECAUSE

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OF MC KEE'S SPECIAL EXPERTISE IN OIL REFINERIES AND STEEL MILLS. AS PREVIOUSLY REPORTED, HYUNDAI IS A PRIME CONTENDER FOR THE \$400 TO \$500 MILLION FIFTH OIL REFINERY PROJECT, AND SHOULD IT BE DESIGNATED BY ROKG FOR THAT PROJECT, IT WOULD NECESSARILY TURN TO MC KEE. (MC KEE ALSO WORKS WITH GULF OIL, THEREFORE IT IS LOCKED ON TARGET IN VERY STRONG POSITION VIS-A-VIS THIRD COUNTRY COMPETITION FOR THAT REFINERY CONTRACT.) INASMUCH AS

THAT REFINERY WILL PROBABLY BECOME THE NUCLEUS FOR KOREA'S THIRD PETROCHEMICAL COMPLEX (REPORT IN PREPARATION), MC KEE WILL BE IN A GOOD BIDDING POSITION FOR DOWNSTREAM CHEMICAL PLANTS TO COME AFTERWARDS.

3. ROKG IS ON THE VERGE OF A DECISION TO GO AHEAD WITH THE SECOND STEEL MILL PROJECT (TO BE REPORTED WHEN DECISION IS TAKEN) FOR WHICH HYUNDAI GROUP IS IN PRIME CONTENTION AND FOR WHICH MC KEE IS EMINENTLY QUALIFIED TO DESIGN. INITIAL PART OF THAT PROJECT WILL BE WORTH ABOUT \$2.5 BILLION IN TERMS OF EARLY 1970'S PRICES AND WILL GO AS HIGH AS \$10 BILLION OVER TIME. POSCO IS LARGELY JAPANESE AND BRITISH, BUT CHANCES ARE NOW REPEAT NOW ENHANCED FOR THE SECOND PLANT TO BECOME U.S. ORIENTED.  
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## Message Attributes

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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014